



Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

Maria E. Capriola - Town Manager

February 22, 2021

Members of the Board of Selectmen
Simsbury Town Hall
933 Hopmeadow Street
Simsbury, CT 06070

Re: FY 21/22 Manager's Proposed Operating and Capital Budgets

Dear Board of Selectmen Members:

Attached please find the Manager's proposed operating and capital budgets for the Town of Simsbury, for FY 21/22. When developing the budgets I had the following objectives in mind:

- Maintain current services and programs while adapting to our current pandemic environment
- Advance Board of Selectmen initiatives and priorities in areas such as financial management, professional development, infrastructure, parks and recreation, and economic development
- Maintain and invest in existing assets and infrastructure with a focus on cash-to-capital for ongoing and routine capital needs. Develop and introduce a 6-year plan for technology related capital needs. Refine capital budgeting based upon final results of the Parks and Open Space Master Plan and preliminary results of the Town's Facilities Master Plan
- Strengthen our long-term financial stability by maintaining or increasing Fund Balance, maintaining our Health Insurance Fund reserve at or above twelve weeks of expected claims, maintaining our commitment to funding OPEB and pension liabilities, and analyzing the methodology for charges to funds outside of the General Fund

The proposed operating and capital budgets including debt service, Town and Board of Education as presented, are \$105,407,881, an increase of \$2,971,335 or 2.9%. Debt service is the most significant increase to the town budget for the third consecutive year, an increase of \$799,416 or 14.61%. Based on revenue projections, a mill rate of 37.26 mills (excluding Fire District) would be needed to fund the proposed budgets. This reflects a mill rate increase of 0.17 mills (from 37.09 mills), or a tax increase of 0.45%, or \$36 for the year, for a median valued single family home.

The grand list has grown by 2.94% or \$73,866,123 in value. Real estate increased by 1.6% or \$34,500,345, primarily from apartment construction and the new Big Y. Motor vehicle increased by 7.2% or \$14,433,617. Personal property increased by 21.8% or \$24,932,161, largely due to the Tobacco Valley Solar project and the Curaleaf expansion. These numbers are based on the most recent information available but are subject to change based upon the outcome of assessment appeals.

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Despite our current pandemic environment, local revenues have remained stable and strong with the exception of interest income. Reviewing historic and current revenue trends, we have made increased revenue estimates for the conveyance tax, land recording fees, and building permit revenues.

We have utilized the Governor's proposed budget for estimating state revenues. Under the Governor's proposed budget our ECS revenue was flat at \$6,317,010. This year the Governor did not propose to have municipalities contribute to the Teachers Retirement System.

The proposed operating budget is a \$623,783 (2.59%) increase to Town Government and does not include any service restorations or improvements as a result. There are a number of service restorations and improvement considerations that I have prioritized for your review during budget development should the Board have a desire to enhance services. They are as follows:

- Parks maintenance technician
- Professional development for Parks staff certifications
- Increased funding for library materials for children
- Police de-escalation training
- SPIRIT Council data collection and analysis
- Temporary staffing for the Assessor's Office (to generate revenue/new growth)

If all of the above service restorations and improvements were funded, an additional 0.05 mills, or a mill rate of 37.31 mills (excluding Fire District) would be needed to fund the proposed budgets. This would then result in a tax increase of 0.60%, or \$48 for the year for a median valued single family home (as opposed to a 0.45% tax increase or \$36 for the year for a median valued home).

The Board of Finance guidance presented during the Tri-Board meeting was a budget increase not to exceed 1.5%. During Tri-Board, staff's preliminary estimate of fixed cost increases for the Town would be 3.5%. The Town budget increase of 2.49% exceeds their guidance by 0.99 %. In order to achieve the Board of Finance guidance regarding the budget increase, the budget would need to be reduced by approximately \$250,000.

Besides debt service, some key expenditure budget drivers to the municipal budget are: pension/OPEB increase - \$153,852; anticipated general wage and step increases - \$305,882; impact of the minimum wage increase for staff - \$39,163; correcting historic methodologies that had resulted in overcharging the Parks and Recreation Fund for a number of accounts - \$58,308; a new annual recurring expense for Police body cameras - \$46,158; increase to Police overtime - \$25,000; increase to legal counsel (labor) - \$25,000; and an increase in our Health District assessment - \$15,402.

After a challenging year in FY 20/21 that required the town to reset health insurance "premiums" at an appropriate level to cover expected claims and to rebuild the internal service fund balance, our Health Insurance Fund is now in a stable position. The Health Insurance Fund reserve is projected to be at \$6,286,853, or 42% of expected claims in FY 21/22.

Board of Selectmen priorities helped frame budget development, particularly financial management, professional development, infrastructure, recreation, and economic development. In regards to financial management, the upcoming budget will reflect our first full year of our more permanent arrangement with the Board of Education to share financial management services with the Town, through the oversight of our Finance Director Amy Meriwether. Funds are also budgeted to assist with transition planning due to an upcoming retirement in the Finance Department. A forthcoming restructuring proposal may occur. We also engaged in long-range capital planning and debt modeling with both Town and BOE, completed the Parks

and Recreation Revenue Fund Analysis, completed tax dollar utilization and impact on a median valued home, and completed an update to our financial benchmarking.

In regards to professional development the budget includes funding for continuing education for maintenance of certifications, professional development and the annual leadership retreat for mid and upper level managers, training dollars for larger “group” work and individualized training, tuition reimbursement for staff, and funds for an executive coaching opportunity for an upper or mid-level manager. Economic Development funds are included to maintain contributions to Simsbury Main Street Partnership, the Simsbury Chamber of Commerce, and the Business and Career Center.

Parks and Recreation continues to be a priority. This budget includes a \$9,000 increase to the agricultural supplies budget for Parks due to the discovery of a systemic issue with the Athletic Field Special Revenue Fund. Regrettably, routine agriculture maintenance supplies were being charged to that Fund, such as grass seed and fertilizer. The Athletic Fields Fund was supported by a per player fee paid by our local sports organizations. Due to the pandemic and its impact on youth sports, revenues to the Fund substantially decreased and it can no longer support the cost of the routine agricultural supplies that are needed to maintain our fields, regardless of youth sports play.

This budget also shifts \$58,308 in expenses from the Parks and Recreation Revenue Fund to the General Fund. Staff, with assistance from our actuaries and LAP and workers compensation insurance carrier, engaged in an analysis of costs being charged to the Parks and Recreation Revenue Fund. It was determined that we have historically been overcharging the Revenue Fund for pension (\$30,085), liability insurance (\$2,452), and worker’s compensation insurance (\$20,456). We also identified two expenses that should be paid for by the General Fund: utilities for the Medical Equipment Loan Locker program (\$1,715) and the Department’s phone lines (\$3,600). As a result of this, we did not budget an additional increase to the General Fund contribution to the Parks and Recreation Special Revenue Fund. However, properly allocating the identified expenses to the General Fund does reduce the Revenue Fund budget, while improving equity for our recreation program participants so they are not unfairly paying for these costs which are not attributable to the Fund.

During the 2000’s, the Parks Division lost three staff positions which were never re-authorized. During that same time period, the town acquired a significant amount of open space and continued to expand its trail network, adding to the portfolio of land and trails that the Parks Division is responsible for maintaining. In 2020 our new Hopbrook Landing Park opened, which requires a high level of maintenance. The master plan has identified a need to add 2-3 parks staff members to adequately maintain our parks, facilities, open space, and trails. Management concurs with this recommendation and would suggest that gradually over time we re-build our parks staffing to ensure that our existing infrastructure is properly maintained.

The parks and open space master plan is now complete and capital project priorities for the next 6 years have been identified in the capital plan. The parks and open space master plan has identified a number of capital needs to maintain our existing infrastructure such as: playground replacements; sign replacements; renovations to Memorial Pool and the skate park; improved parking at numerous parks; drainage and irrigation improvements at our athletic fields; and renovations to the Golf Clubhouse. Much of our parks infrastructure is aging. The CNR plan focuses on a number of smaller dollar value parks improvements to our existing infrastructure. Examples include replacement of the ice rink condenser, playground replacements, replacement of rotted park entrance signs, and irrigation replacement for Memorial Park.

The capital and capital nonrecurring (CNR) budgets focus on maintaining our existing assets and infrastructure as opposed to expansion of that infrastructure. Nearly all proposed items fund replacement items such as equipment or vehicles for the fleet, repairs to existing facilities, and repairs and maintenance of our sidewalks and roads. Since most proposed capital items are on-going or routine in nature, the

proposed funding source for CNR items is cash as opposed to bonds. The CNR Fund utilizes the \$416,250 5-year payback method (General Fund cash), includes \$110,958 in cash for capital from the General Fund, and utilizes \$314,000 from the capital reserve.

Bond rating agencies do not want to see transfers out of the General Fund for operating expenses or for “mill rate relief” to offset operating expenditures. However, transfers to capital, health insurance reserve, or for other purposes are more favorably looked upon than transfers for operating expenditures. Based on projections, with the transfer to capital and the anticipated contribution to fund balance, at fiscal year-end 21/22 fund balance would remain at about 16%, which is within the Fund Balance Policy range of 15-17%. The Fund Balance calculation is based on the difference between the budgeted tax collection rate of 98.5% and the anticipated tax collection rate of 99.5%.

We continue to complete studies to better understand and quantify our baseline capital needs. For the third consecutive year we have developed a full six-year plan for the CNR Fund and our smaller value capital needs. This year we developed and have submitted a 6-year plan for our technology needs. I continue to recommend that we do not bond for smaller value and routine capital needs. This approach is to avoid a cycle of bonding for all capital needs and not being able to pay for baseline capital needs in cash, creating more expense to the Town in the long run. For this reason, and for emergency infrastructure needs, I continue to recommend building our capital reserve with funds from capital project close-outs and year-end savings when available.

During the Board’s budget deliberations I have some suggested areas of further policy discussion. They are:

- Outside agency funding requests
- Service restorations and improvements
- Pension and OPEB Trust interest rate assumptions, new mortality tables, and the amortization period
- Possible use of the Capital Fund reserve to fund ongoing and routine capital needs in cash

Additionally, I have some suggested future areas of focus related to budget. They are as follows:

- Continue to monitor state budget/intergovernmental revenue
- Focus on cash-to-capital for ongoing and routine capital needs; complete a town-wide facilities master plan
- Gradually build up the Town’s contribution to the Parks and Recreation Special Revenue Fund
- Evaluate the feasibility of implementing Engineering permit fees, with revenues funding contracted inspection services of utility work impacting our infrastructure

In summary, this budget funds current services and programs, invests in existing infrastructure and assets utilizing cash-for-capital for routine and ongoing needs, and advances Board of Selectmen initiatives such as financial management, professional development, parks and recreation, infrastructure, and economic development.

I want to thank Director of Finance Amy Meriwether, Deputy Town Manager Melissa Appleby, Management Specialist Tom Fitzgerald, and the Leadership Team for their outstanding and dedicated work in assisting with budget development.

Respectfully Submitted,



Maria E. Capriola, M.P.A.
Town Manager